

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1703-01
Bill No.: HB 756
Subject: Motor Vehicles; Roads & Highways; Transportation;
Department of Transportation
Type: Original
Date: March 7, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
State Highway and Transportation Dept.	\$0	\$75,126,888	\$1,133,090,651
State Sales Tax Transportation	\$0	\$153,175,000	\$320,200,000
General Revenue	\$0	(\$37,972,261)	(\$1,059,283,303)
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$190,329,627	\$394,007,348

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$14,310,163	\$27,985,883

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Department of Transportation** assume the five-cent motor carrier fuel tax will generate \$47.7 million per year in new revenues. An effective date of January 1, 2001 is assumed, as is distribution according to Article IV, Section 30(a) of the Missouri Constitution.

Officials with the **Office of Administration–Division of Budget & Planning (BAP)** assume the proposal will result in additional revenues to the Department of Transportation through the increased sales tax, the redirection of the previously unallocated one-half of the sales tax on motor vehicles, and the reduction of funding to other state agencies from the State Highway & Transportation Department Fund.

BAP assumes the one-half cent increase in the sales tax would generate \$347 million annually. Of this, \$40.8 million is attributable to motor vehicle purchases, and would be allocated according to Article IV, Section 30(b) of the Missouri Constitution. The remainder would be appropriated to the State Sales Tax Transportation Fund. An effective date of January 1, 2003 is assumed by BAP. **MoDOT** provided estimates of \$346 million annually. **Oversight** has included figures in the fiscal impact as provided by BAP.

The previously unallocated portion of the sales tax on automobiles is estimated by **BAP** at \$119 million for FY 2002, and officials assume the bill will allocate this amount to the Motor Fuel Tax Fund over five years results in increased funding of \$17,895,000 in FY 2002; \$42,805,000 in FY 2003; and \$69,300,000 in FY 2004. **MoDOT** assumes this provision re-allocates general sales tax revenue, resulting in increased funding to the Highway & Road Funds of \$255 million in FY 2002; \$613 million in FY 2003; and \$992 million in FY 2004. **Oversight** assumes that MoDOT's assumptions are correct and that the new revenues for the Motor Fuel Tax Fund must also be shown as a loss to General Revenue. Additionally, we assume this will take effect in FY 2004, the first fiscal year following the election.

Officials with the **Department of Revenue (DOR)** assume the proposal will result in new revenues through increased registration fees for beyond-local commercial vehicles and registration fees for the highway reciprocity commission. DOR assumes the tax rate changes will require \$52,126 in programming and postage costs. The changes to the Highway Reciprocity Commission are expected to require 13 additional Clerk Typist III's (13 FTE at \$23,184) for processing, recording, and key entry. Equipment costs will also be required.

DOR anticipates the beyond-local commercial registration fee increase will generate \$936,958 in FY 2003 and \$955,696 in FY 2004. The reciprocity registration fees will increase by \$7,271,892 in FY 2003 and \$10,907,838 in FY 2004. These funds will be distributed according to Article IV, Section 30(b) of the Missouri Constitution. Officials with **MoDOT** estimate increased

ASSUMPTION (continued)

revenue of \$5.34 million in FY 2003 and \$10.8 million in FY 2004. **Oversight** has included figures provided by DOR in the fiscal impact for the fiscal note.

Officials with the **Department of Economic Development–Division of Motor Carrier & Railroad Safety, Department of Natural Resources, Department of Revenue, Missouri State Highway Patrol, Office of the State Auditor** assume the proposal will reduce funding to their agencies from the State Highway & Transportation Department Fund. **Oversight** assumes that these programs will generally be funded from General Revenue, and therefore shows a cost to General Revenue for any savings to the Highway Fund. Additionally, the legislation states that the reductions in funding are to begin in FY 2003, despite the fact that four months of the fiscal year will have passed by the time the proposal is submitted to the voters. Nevertheless, Oversight shows the funding reduction in FY 2003, as that is how the bill is written. Oversight assumes that funding in FY 2003 will be 80% of the FY 2001 level, and that funding in FY 2004 will be 80% of the FY 2003 level, or 64% of the FY 2001 level, which is estimated at \$185,000,000.

Officials with the **Office of the Secretary of State** did not respond to our fiscal note request. **Oversight** assumes advertisement costs for the proposal would be \$4,380 per newspaper column inch for three printings of the text of the proposal, the introduction, title, fiscal note summary, and affidavit. The proposal would be on the ballot for the November 2002 general election.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
STATE HIGHWAY AND TRANSPORTATION DEPT. FUND			
<u>Revenues–MoDOT</u>			
Increase in Sales Tax on Motor Vehicles–.5% (75%)	\$0	\$15,281,250	\$31,500,000
Increased Registration Fees (75%)	\$0	\$6,156,638	\$8,897,651
Increased Motor Carrier Fuel Tax–\$.05 (70%)	\$0	\$16,689,000	\$33,879,000
Appropriation of General Sales Tax Revenue	<u>\$0</u>	<u>\$0</u>	<u>\$992,214,000</u>
<u>Total Revenues–MoDOT</u>	\$0	\$38,126,888	\$1,066,490,651
<u>Savings–MoDOT</u>			
Appropriations to Other State Agencies	\$0	\$37,000,000	\$66,600,000
ESTIMATED NET EFFECT TO STATE HIGHWAY AND TRANSPORTATION DEPT. FUND			
	<u>\$0</u>	<u>\$75,126,888</u>	<u>\$1,133,090,651</u>

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FISCAL IMPACT - State Government

FY 2002
(10 Mo.)

FY 2003

FY 2004

**STATE SALES TAX
 TRANSPORTATION FUND**

Revenues—MoDOT

Increased General Sales Tax—.5%	<u>\$0</u>	<u>\$153,175,000</u>	<u>\$320,200,000</u>
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GENERAL REVENUE FUND

Losses—Various State Agencies

Appropriations from Highway Fund	\$0	(\$37,000,000)	(\$66,600,000)
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Loss of General Sales Tax Revenue	<u>\$0</u>	<u>\$0</u>	<u>(\$992,214,000)</u>
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<u>Total Losses—Various State Agencies</u>	<u>\$0</u>	<u>(\$37,000,000)</u>	<u>(\$1,058,814,000)</u>
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Costs—DOR

Personal Service (13 FTE)	\$0	(\$200,928)	(\$316,650)
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Fringe Benefits	\$0	(\$66,969)	(\$105,539)
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Expense & Equipment	\$0	(\$141,238)	(\$47,114)
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Programming/Postage for Tax Changes	<u>\$0</u>	<u>(\$52,126)</u>	<u>\$0</u>
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<u>Total Costs—DOR</u>	<u>\$0</u>	<u>(\$461,261)</u>	<u>(\$469,303)</u>
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Costs—SOS

Election Advertisements	\$0	(\$511,000)	\$0
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**ESTIMATED NET EFFECT TO
 GENERAL REVENUE FUND**

<u>\$0</u>	<u>(\$37,972,261)</u>	<u>(\$1,059,283,303)</u>
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FISCAL IMPACT - Local Government

FY 2002
(10 Mo.)

FY 2003

FY 2004

Revenues—Cities

Increased Sales Tax on Motor			
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Vehicles—.5% (15%)	\$0	\$3,066,250	\$6,300,000
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Increased Motor Carrier Fuel Tax—\$.05			
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(15%)	\$0	\$3,576,000	\$7,260,000
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Increased Registration Fees (15%)	<u>\$0</u>	<u>\$1,231,328</u>	<u>\$1,779,530</u>
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<u>Total Revenues—Cities</u>	<u>\$0</u>	<u>\$7,873,578</u>	<u>\$15,339,530</u>
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Revenues—City of Saint Louis

Increased Motor Carrier Fuel Tax—\$.05			
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(70%)	<u>\$0</u>	<u>\$60,000</u>	<u>\$121,000</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Revenues—Counties</u>			
Increased Sales Tax on Motor Vehicles—.5% (10%)	\$0	\$2,038,700	\$4,200,000
Increased Motor Carrier Fuel Tax—\$.05 (14.75%)	\$0	\$3,517,000	\$7,139,000
Increased Registration Fees (10%)	\$0	\$820,885	\$1,186,353
<u>Total Revenues—Counties</u>	<u>\$0</u>	<u>\$6,376,585</u>	<u>\$12,525,353</u>

FISCAL IMPACT - Small Business

There would be a direct fiscal impact to small businesses as a result of this proposal.

DESCRIPTION

This bill is a comprehensive package relating to transportation and transportation funding.

MOTOR CARRIER FUEL TAX ACT

Motor carriers operating on Missouri highways will be required to pay a tax based on the amount of fuel consumed in the state. The tax rate will be 5 cents per gallon on fuel consumed on highways within the state. A quarterly tax return will be required accompanied by a remittance covering any tax due. The bill spells out the procedure in determining the amount of fuel consumed in the state. The Department of Revenue may enter into reciprocal agreements providing for the imposition of the motor carrier fuel tax.

The Division of Motor Carrier and Railroad Safety may revoke the license of any carrier for nonpayment of the tax. However, a carrier has 7 days after the due date to file the report and pay the tax if the carrier establishes that the delay was due to accident or reasonable cause.

The Motor Carrier Fuel Tax Act is also revised to include the following provisions:

- (1) Reasons why the division may refuse to issue a license or permit;
- (2) Appeal provisions for persons whose license has been revoked;
- (3) Tax liability of a carrier leasing vehicles;
- (4) Record keeping requirement of carriers and the division;
- (5) Penalty and punishment for false statements or returns;
- (6) Authority of the division to promulgate rules;
- (7) Enforcement requirements; and
- (8) Deposit of revenues collected from the tax in the Motor Fuel Tax Fund.

DESCRIPTION (continued)

SALES TAX

The state sales tax on tangible personal property is increased by 0.5%. Changes distribution of tax revenues.

USE TAX

The use tax on motor vehicles, trailers, boats, and outboard motors is increased by 0.5%.

STATE SALES TAX TRANSPORTATION FUND

The bill creates a State Sales Tax Transportation Fund. All voter-approved revenues from the additional sales tax will be deposited for use by the Highways and Transportation Commission as follows:

- (1) 15% will be used annually for the purpose of basic operation of public transit systems and distributed as follows:
 - (a) 75% to systems in municipalities with a population of 50,000 or greater;
 - (b) 25% to systems in municipalities with a population less than 50,000;
- (2) 5% will be used annually for the payment of multi-modal transportation projects;
- (3) 30% will be used annually for repairing, rehabilitating, constructing, or expanding the interstate highway system, with 2% of the allotted funds to be used for paying the cost of issuing state road revenue bonds;
- (4) 50% will be used annually for repairing, rehabilitation, constructing, improving, or expanding the state highway system, with 2% of these allotted funds to be used for paying the cost of issuing state road revenue bonds and for the cost of toll road projects.

MOTOR VEHICLE REGISTRATIONS

The annual registration fees for property-carrying commercial motor vehicle will be increased by approximately 9%.

The bill has a referendum clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
 Division of Budget & Planning
Department of Revenue
Department of Public Safety
 Missouri State Highway Patrol
Office of the State Auditor
Office of the State Treasurer
Department of Natural Resources
Department of Economic Development
 Division of Motor Carrier & Railroad Safety



Jeanne Jarrett, CPA
Director

March 7, 2001